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IN THE

Supreme Court of the United States

OCTOBER TERM, 1941.

No. 649

MISHAWAKA RUBBER AND WOOLEN MANUFACTURING COMPANY,

Petitioner,

vs.

S. S. KRESGE COMPANY,

Respondent.

BRIEF FOR PETITIONER.

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INDEX.

	PAGE
Opinions Below	1
Jurisdiction	1
Statement of the Case	2
Specification of Errors to Be Urged	4
Summary of Argument	5
Argument	6
History of Petitioner's Trade-Mark	6
Respondent's Acts of Infringement	10
District Court's Findings of Fact	15
First Question	18
1. Petitioner's United States trade-mark registration is valid	18
2. Petitioner's registered trade-mark was infringed by Respondent	18
3. In assessing profits the Petitioner should be required to prove the Respondent's sales only	19
Second Question	27
1. Respondent's acts tended to destroy the good will of Petitioner	27
2. Petitioner has been damaged by Respondent's commingling with its infringing red circular marked heels, heels having other colored circular marks	29
3. Petitioner is entitled to recover damages in addition to profits	30
4. Uncertainty as to amount does not preclude Petitioner's right to recover damages	32
Conclusion	35
Appendix	
I. §§ 16 and 19, Trade-Mark Act of 1905	37
II. Chronological Summary	38

CITATIONS.

Aladdin Mfg. Co. v. Mantle Lamp Co. of America, 116 F. 2d 708 ..... 23, 33
American Trading Co. v. H. E. Heacock Co., 285 U. S. 247 20
Consolidated Ice Co. v. Hygeia Distilled Water Co., 151 F. 10 17
Dickinson v. O. & W. Thum Co., 8 F. 2d 570 25
Duplate Corp. v. Triplex Safety Glass Co., 298 U. S. 448 21
Duro v. Duro, 56 F. 2d 313 ..... 24, 25
Eastman Kodak Co. v. Southern Photo Materials Co., 273 U. S. 359 33
Erie Railroad Co. v. Tompkins, 304 U. S. 64 ..... 4, 19, 20, 26
Fahey Tobacco Co. v. Senior, 252 Fed. 579 24
Fidelity & D. Co. v. Bucki & Son Lumber, 189 U. S. 135 34
Gannert v. Rupert, 127 F. 962 17
Graham v. Plate, 40 Cal. 593 22
Hamilton-Brown Shoe Co. v. Wolf Bros. & Co., 240 U. S. 251 ..... 4, 5, 21, 23, 24, 25, 30, 32
James Heddon's Sons v. Millsite Steel & Wire Works Inc., 35 F. Sup. 169 10
Kann et al. v. Diamond Steel Co. et al., 89 F. 706 17
Lawrence Mfg. Co. v. Tennessee Mfg. Co., 138 U. S. 537 5
Manhattan Medicine Co. v. Wood, 108 U. S. 218 21
Maytag v. Meadows, 45 F. 2d 299 33
McLean v. Fleming, 96 U. S. 245 21
Mendenez v. Holt, 128 U. S. 514 23

Mishawaka Rubber and Woolen Mfg. Co. v. S. S. Kresge Co., 119 F. 2d 316 19
Northam Warren Corp. v. Universal, 18 F. 2d 774 ... 5
Pacific Whaling Co. v. Packers' Asso., 138 Cal. 632 .. 33
Press Publishing Co. v. Monroe, 73 F. 196 34
The Seven Brothers, 170 Fed. 126 33
Story Parchment Co. v. Paterson Parchment Paper Co., 282 U. S. 555 32
Strauss v. Victor Talking Machine Co., 297 Fed. 791. 33
Trappey v. McIlhenny Co., 12 F. 2d 19 24
United Drug Co. v. Obear-Nester Co., 111 F. 2d 997 .. 17

STATUTE.

Trade-Mark Act of 1905 ..... 1, 4, 5, 19, 20, 31, 37

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vs.

S. S. KRESGE COMPANY,

Respondent.

BRIEF FOR PETITIONER.

Opinions Below.

The opinion of the District Court (R. 120, 124, 126, 131, 132) is not reported. The opinion of the Circuit Court of Appeals (R. 153) is reported in 119 F. 2d 316.

Jurisdiction.

The judgment of the Circuit Court of Appeals was entered on April 18, 1941; petition for rehearing denied June 25, 1941 (R. 163). The petition for writ of certiorari was filed on September 24, 1941, and was granted on November 10, 1941 (R. 164). The jurisdiction of this Court is invoked under the following statutes. Sec. 240(a) of the Judicial Code, as amended, 28 U. S. C. 347; 28 U. S. C. 350, and Sec. 18 of the Trade-Mark Act of 1905, as amended, 15 U. S. C. 98.

Statement of the Case.

Petitioner, Mishawaka Rubber and Woolen Manufacturing Company, of Mishawaka, Indiana, brought an action in equity in the District Court for the Eastern District of Michigan, against the respondent, S. S. Kresge Company (R. 1), and sought an injunction against trade-mark infringement and unfair competition and also prayed an account of profits and damages for the infringement of Petitioner's registered trade-mark No. 36,471 (R. 133), and for unfair competition. The case was submitted for final hearing, by stipulation of the parties (R. 116), approved by the Court (R. 116), upon the record before the Court on motion for preliminary injunction. The District Court found Respondent guilty of both trade-mark infringement and unfair competition after direct notice and ordered an injunction and an accounting of profits (R. 123).

The injunction, however, was indefinite in its terms and was limited to selling or offering for sale or aiding and abetting others, either directly or indirectly, in selling or offering for sale rubber heels bearing red or reddish circular ball figures appearing on the face portion of the heel, or any imitation thereof so nearly resembling the ornamental dress of the heels of Petitioner as to be calculated to deceive the ordinary purchaser as to the source of such goods (R. 131).

The accounting not only was limited to profits but was further limited to require the Respondent to account only for the profits derived from its sales of infringing heels which Petitioner could prove were made:

> "to purchasers who were induced to buy because they believed the heels to be those of plaintiff and which sales plaintiff would otherwise have made" (R. 131).

Petitioner, feeling that it had been denied adequate relief both as to an injunction and to an accounting, appealed to the Circuit Court of Appeals for the Sixth Circuit. That

court refused further relief, and affirmed the judgment of the District Court (119 F. 2d 316) (R. 153).

The Court of Appeals did not, and could not, set aside the findings of the District Court as it did not hold them to be "clearly erroneous" (Rule 52(a), Rules of Civil Procedure). Pertinent findings of the District Court may be concisely stated as follows:

1. *Petitioner's U. S. trade-mark registration is valid* (R. 121, Par. 3).

2. *It was infringed by Respondent* (R. 122, Par. 12).

3. *It was difficult to distinguish Respondent's products from Petitioner's* (R. 121, Par. 8).

4. *Respondent's heels were of inferior quality, and tended to destroy the good-will of Petitioner* (R. 122, Par. 11).

5. *Customers would naturally be misled by Respondent's markings* (R. 122, Par. 9).

6. *Respondent's methods constituted unfair competition* (R. 122, Par. 12).

7. *Respondent's infringement and unfair competition continued after direct notice* (R. 123, Par. 5).

Petitioner believed that the relief afforded by the judgment affirmed by the Court of Appeals was not commensurate with the findings above quoted, and accordingly petitioned that court for rehearing. Rehearing was denied on June 25, 1941 (R. 163).

Petitioner then filed a petition for writ of certiorari in this Court, in which three questions were presented. This Court on November 10, 1941 granted the petition for writ of certiorari (R. 164), limited to the first and second questions presented therein, reading as follows:

1. Where accounting of profits is ordered for infringement of a trade-mark registered under the Act of 1905, are

profits restrictable to sales to purchasers who were induced to buy because they believed the goods to be those of the trade-mark owner and which sales the trade-mark owner otherwise would have made?

2. Where a decree is rendered for wrongful use of a trade-mark registered under the Act of 1905 and the District Court, whose judgment is affirmed, found that defendant's infringement tended to destroy plaintiff's good will to an extent beyond the particular articles as to which profits are awarded, should damages be denied?

Specification of Errors to Be Urged.

1. The court below erred in requiring the Petitioner to prove lost sales and actual deception in the accounting for profits from trade-mark infringement.

2. The court below erred in disregarding the provision of the Trade-Mark Act of 1905 (15 U. S. C. 99) that "in assessing profits, the complainant shall be required to prove the defendant's sales only."

3. The court below erred in construing the accounting provision of the Trade-Mark Act of 1905 as substantive law, and in holding that such provision of the Act of Congress is superseded by the local state law under the doctrine of *Erie Railroad* v. *Tompkins*, 304 U. S. 64.

4. The court below erred in failing to recognize and apply the principles relating to accounting for profits from trade-mark infringement stated by this Court in *Hamilton-Brown Shoe Co.* v. *Wolf Bros. & Co.*, 240 U. S. 251, and other cases.

5. The court below erred in refusing to allow the Petitioner to be compensated for the damages it had sustained as a result of the Respondent's acts of trade-mark infringement.

6. The court below erred in disregarding the provision of the Trade-Mark Act of 1905 that "the complainant shall be entitled to recover * * * the damages the complainant has sustained thereby."

Summary of Argument.

1. The owner of a U. S. registered trade-mark is entitled to recover the infringer's profits, and, in assessing profits, the complainant is "required to prove defendant's sales only" (Sec. 19, Trade-Mark Act 1905—15 U. S. C. 99).

2. Where the right to the exclusive enjoyment of a trade-mark is invaded, the infringer is required to account for and yield up his gains to the true owner (*Hamilton-Brown Shoe Co.* v. *Wolf Bros. & Co.*, 240 U. S. 251).

3. Proof of fraud on the part of the trade-mark infringer is not necessary to the recovery of profits by the trade-mark proprietor; (*Lawrence Mfg. Co.* v. *Tennessee Mfg. Co.*, 138 U. S. 537, 549).

4. Damages are not limited to an exact copying of a trade-mark, but are recoverable when the mark of an infringer is colorably different from but is sufficiently similar to that of the plaintiff to tend to cause confusion (15 U. S. C. 96; *Northam Warren Corp.* v. *Universal*, 18 F. 2d 774, C. C. A. 7).

5. Where a trade-mark has been held valid and infringed in an interlocutory decree, the extent of the profits of the infringer and the amount of damages are then to be ascertained in an accounting. Sec. 19 Trade-Mark Act, 15 U. S. C. 99, provides that *upon a decree being rendered* holding wrongful use of a trade-mark, the profits and damages shall be assessed.

ARGUMENT.

History of Petitioner's Trade-Mark.

The Petitioner has been in business since 1868, and has continuously since then been engaged in the manufacture, sale and distribution of footwear of different kinds, beginning with woolen footwear and adding to its line different types of footwear such as rubbers, rubber boots, combination leather and rubber footwear with heels attached thereto, leather footwear and rubber footwear with heels attached thereto, leather shoes, combination leather and cloth shoes, as well as leather boots (R. 31).

Continuously since about October 15, 1891, Petitioner has used a circular figure of red color as a trade-mark for its goods and this trade-mark has been applied directly to the tread face of Petitioner's rubber heels at approximately the center thereof, continuously since 1898 (R. 32).

In April, 1898, Petitioner applied for registration of its red circular figure trade-mark, and registration No. 36,471 (Plaintiff's Exhibit 21, R. 133) covering this trade-mark was issued to this Petitioner on May 26, 1901. This registration was renewed on May 26, 1931, under the Trade-Mark Act of 1905, and is at the present time in existence and owned by Petitioner (R. 38).

The registration (R. 133) comprises a drawing showing a circular figure lined for red, and a specification which contains the following statements as to the nature of the registered trade-mark:

> "Said trade-mark consists of the arbitrarily selected representation of a circular figure or ball colored red. • • • While such facsimile is in India ink, it is, as stated, the preference of said company to employ red

color for such representation of a circular figure of a ball. • • •

"The purpose sought is to employ a color sufficiently distinctive to produce an impression upon the eye which will be retained by the memory."

In the early part of 1898, Petitioner, in applying its trade-mark to the rubber heels of its boots and shoes, provided a circular recess in the tread face of the heel, and a thin, red disc which contrasted with the color of the heel body was placed and secured in the bottom of this recess. This practice was continued until 1917. In 1917, in order to make the mark more enduring, Petitioner began embedding in the heel a circular plug of red color which contrasted with the color of the heel body, and as the heel wore down, the plug would wear with it and thus be present and visible on the under surface of the heel during the life of the heel (R. 36).

Since 1891, Petitioner has very extensively advertised and publicized its said trade-mark. This advertising was carried on in different ways, by means of catalogs, pamphlets, printed circulars, newspaper advertising, window displays, and extensive advertising in periodicals and magazines (R. 41). Samples of this advertising appear in Plaintiff's Exhibits 11, 26, 27 and 39, and particularly on pages 27 and 29 of Exhibit 13, and page 39 of Exhibit 11.

Additional specimens of Petitioner's advertising are contained in Plaintiff's Exhibit No. 26, and of these, the following are representative: *The Farm Journal*, November, 1919 (inside front cover), and January, 1922. *The Kansas Farmer and Mail and Breeze*, December 13, 1919 (page 17). *The Country Gentleman*, representative specimens. *Wallace's Farmer*, March 10, 1922 (back cover). *The Saturday Evening Post*, January 9, 1926 (reproduction of double page advertisement). *Colliers*, November 24, 1934 (inside back cover). *The Literary Digest*, De-

cember 1, 1934 (inside front cover). A large part of the advertising in the periodicals and magazines was carried in farm journals and farm trade papers, and in all of this advertising the red circular figure was prominently displayed and conspicuously set forth as an identifying mark of origin (R. 42), although where color printing was not available, this trade-mark was white instead of red (Plaintiff's Exhibit 11, 39 P. 23).

The Petitioner spent three and one-quarter million dollars ($3,250,000) between 1909 and 1934 (R. 41), and many thousands of dollars more prior to that time, advertising its products and the red circular figure trade-mark by which Petitioner's products are identified (R. 42). This amount of three and one-quarter million dollars ($3,250,000) is exclusive of such expenditures as were made for catalogs, circulars, cartons, shipping cases, etc.

The advertising was carried on in every State of the Union and in many foreign countries, and the magazines and periodicals commonly and extensively used for such advertising averaged a circulation of fifteen million (R. 44). (A list of publications used is set out on page 42 of the Record.)

In all of its advertising and on its catalogs and circulars, the Petitioner featured prominently its red circular figure trade-mark. As early as 1900-1901, the Petitioner used the red circular trade-mark at the center of the heel as shown in the heel illustrations comprising the border of the cover of Petitioner's 1900-1901 catalog. (See Plaintiff's Exhibit No. 10.) For convenient reference, we have included a photographic reproduction of the back cover of this 1900-1901 catalog, showing the red circular figure trade-marks at the centers of the heels. This photograph is inserted opposite page 8 of this brief.

Between October 1891 and December 31, 1934, the said trade-mark was used on goods and merchandise sold to

BACK COVER OF PETITIONER'S 1900-1901 CATALOG

PLAINTIFF'S EXHIBIT
NO. 10

the extent of three hundred and seventy million dollars ($370,000,000). During the same period, the value of all footwear sold by Petitioner having rubber heels attached thereto and bearing the red circular figure trade-mark on the tread face amounted to one hundred and eighty-five million, seven hundred thousand dollars ($185,700,000). Between October 15, 1891 and 1934, Petitioner sold approximately one hundred and fifty million (150,000,000) rubber heels bearing the red circular mark. The heels so sold were attached to the Petitioner's footwear excepting such shipments as were made to New Zealand (R. 40).

In 1935, Petitioner had more than sixty-one thousand (61,000) customers and dealers who bought and distributed goods of the Petitioner bearing the trade-mark, and the places of business of these dealers and customers were distributed throughout every State in the Union, the District of Columbia, and many foreign countries (R. 40).

During this period of time, the public acquiesced in the said trade-mark of the Petitioner, and respected it, and only on two occasions was the Petitioner forced to resort to a law suit to protect its exclusive rights to the mark, and in both instances Petitioner was successful (R. 44). Numerous oppositions were filed in the United States Patent Office by Petitioner against applicants seeking to register trade-marks similar to the trade-mark involved in this case, and in these opposition proceedings, Petitioner was successful (R. 97).

Since the early part of 1898, Petitioner has applied its trade-mark continuously and consistently to the tread face of its rubber heels at the approximate center thereof and in a color (red) which contrasted conspicuously with the color of the heel. For convenient reference, a colored photograph showing a specimen of this heel is included in this brief following page 10. This heel is identified as "Petitioner's Heel" and is designated as "Plaintiff's

Exhibit No. 16." Likewise, Respondent's heels as hereinafter described are shown in this photographic insert.

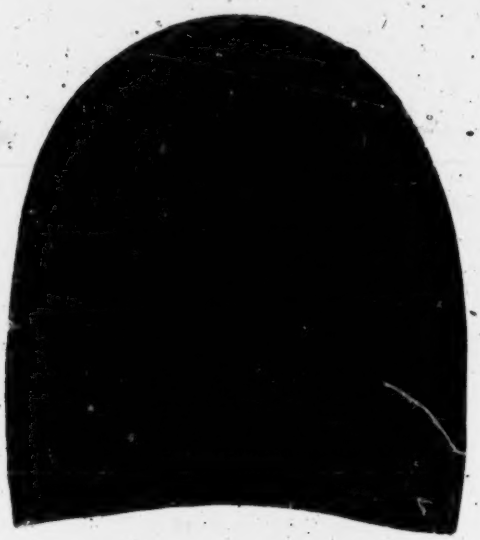
In deciding the case of *James Heddon's Sons* v. *Millsite Steel & Wire Works, Inc.*, 35 F. Supp. 169, 175 (U. S. D. C., E. D. of Mich.), Judge Tuttle made the following statement which is exceedingly pertinent to Petitioner's trade-mark:

> "There are many big businesses that have grown up wherein they have taken one little thing, one slogan, one name, one designation, one design, and used it for years. For example, the rubber boot cases, in which the little round red spot on the rubber boot came to mean a particular maker—I remember my father telling me when a boy that the red spot meant that they were good boots and that they were made by a good concern. That little round, red spot on a rubber boot went on through the years, and, of course, it became of great value to the manufacturer, and any other manufacturer that would commence using it would steal some business. Even though a defendant made its product very different in every other respect, the little round red spot would be likely to deceive. They had a right in that mark, and that is something very different from the situation here presented."

Respondent's Acts of Infringement.

In the early part of 1933, Respondent began selling in its stores throughout the United States, rubber heels having a red circular figure mark in the nature of an embedded plug located substantially centrally of the tread face of the heel. The outer face of this red circular figure mark, which Respondent began to use, was embossed with a Crusader's head, and said heels also bore the name "Crusader." (See Photostatic Insert, Exhibit No. 79.) The Respondent's name, S. S. Kresge, appeared on most of these heels, but not on all of them.

PETITIONER'S HEEL



PLAINTIFF'S EXHIBIT
NO. 16

RESPONDENT'S HEELS

PLAINTIFF'S EXHIBIT
NO. 79

PLAINTIFF'S EXHIBIT
NO. 59

RESPONDENT'S HEELS

PLAINTIFF'S EXHIBIT
NO. 54

PLAINTIFF'S EXHIBIT
NO. 37

PLAINTIFF'S EXHIBIT
NO. 33

PLAINTIFF'S EXHIBIT
NO. 48

The above described heel was of such a nature that the lettering on the tread surface thereof and the embossed design on the red circular figure would tend to wear off, thus leaving a plain red circular figure located substantially centrally of the tread surface of the heel. Thus even the secondary characteristics of this heel, relied upon by Respondent to distinguish it from Petitioner's heel, would tend to disappear so that after being worn for a while, it could not be distinguished from Petitioner's heel (R. 20). These heels were made for the Respondent by Essex Rubber Company.

Immediately upon learning of this display and sale in Respondent's stores of the aforesaid rubber heels, Petitioner, under date of May 5, 1933, notified Respondent of its long prior use of the red circular figure as a trademark on footwear including rubber heels and demanded that Respondent discontinue at once putting out rubber heels with the red circular figure mark (R. 138). Respondent acknowledged this notice on May 9, 1933 (R. 139) and replied thereto on May 19, 1933, stating that Respondent "will not sanction the sale of merchandise which infringes other trade marks," and assured Petitioner that it would change its mark (R. 140), whereupon Petitioner on May 25, 1933 advised Respondent that it would expect Respondent to change the red Crusader mark promptly and in such a way that there would be no further possibility of conflict with Petitioner's mark (R. 140).

Petitioner relied upon the promises of the Respondent, made in May 1933, but later learned, in the early part of 1934, that Respondent was not only continuing to display and sell rubber heels bearing red circular marks which Petitioner had complained of on May 5, 1933, but was also displaying and selling therewith rubber heels bearing the identical mark in an orange color (Exhibit 59 —Photographic Insert). Petitioner then on February 15, 1934 reminded Respondent of its May 19, 1933 assurance

and asked for an explanation of the continued sale of such heels (R. 141). In reply Respondent on February 16, 1934 disclaimed any knowledge of any infringing marks (R. 142). Thereupon Petitioner had an investigation made in a number of Respondent's stores in scattered locations to make sure that such continued use of the mark was not in isolated and perhaps unintentional instances (R. 49), and Petitioner then found that Respondent not only was displaying and selling in a widespread manner rubber heels bearing both the red and the orange circular Crusader marks and also rubber heels bearing a tan circular mark with an eagle design impressed thereon (Exhibit 48—Photographic Insert), but also, in the display and sale thereof, was mixing and associating together all of the heels bearing these various marks. In the course of this investigation, Petitioner's representatives visited stores of Respondent in thirteen different States of the Union and purchased in these stores rubber heels bearing the red and orange circular marks referred to and also the tan circular mark (R. 50). Upon completion of this investigation, Petitioner, under date of June 14, 1934, called the matter to the attention of Respondent, reviewing all of the previous correspondence and demanded discontinuance of the display and sale of rubber heels bearing marks in red, pink, orange, yellow or any other colors in which Respondent had been displaying such marks, which, by virtue of mixing and long association, had acquired the same significance of origin as the red circular marked heels (R. 142).

At that time, Respondent replied that the Essex Rubber Company was undoubtedly using up its old stock of heels bearing the red circular mark (R. 144). In response to this letter, Petitioner again wrote Respondent stating that their explanation was not satisfactory, and in reply Respondent merely advised that they were writing their stores to dis-

continue ordering rubber heels from the Essex Rubber Company (R. 145).

Petitioner, on July 12, 1934, again wrote Respondent and demanded that the infringement which had been going on for more than a year should cease (R. 147), to which letter Respondent made no reply. Then under date of August 11, 1934 the attorney for Petitioner wrote Respondent (R. 149), to which Respondent made reply on August 31, 1934, containing a vague threat, and under date of September 11, 1934 the attorney for Petitioner replied to that letter (R. 150).

Despite its assurances that it would not sanction infringement, the Respondent continued to sell Essex-made red circular insert heels until enjoined by preliminary injunction, more than two years later, August 5, 1935. Mixed and associated with said heels, the Respondent sold another variety of Essex-made heels, exactly the same in every respect except that the inserts were colored orange instead of red and also heels with tan circular inserts made by Boston Woven Hose & Rubber Co.

About July 1, 1934, more than a year after promising to discontinue selling heels with red circular inserts, the Respondent began to sell heels with red circular inserts which it procured from a new source, O'Sullivan Rubber Co. (R. 87). These heels were substantially the same as the previously complained of heels except that they bore the name "Sure Foot" and the red circular figure was embossed with an Indian head (Exhibit No. 54—Photographic Insert). The O'Sullivan Rubber Co., prior to the time it began supplying the Respondent, had been manufacturing and selling rubber heels with an Indian head embossed thereon, as shown in Plaintiff's Exhibit 38 (not shown in Photographic Insert) and in various other exhibits. This heel did not employ a circular insert of contrasting color, but instead bore in relief the Indian head formed of the same

color as the body of the heel, and forming an integral part of the heel so that when the face of the heel wore off, the Indian head would be entirely obliterated and the tread face of the heel would then be a smooth surface. This Indian head exemplified in Exhibit 38 is the circular ornamentation referred to in the affidavit of the Secretary of the O'Sullivan Rubber Co. (R. 90). The heels with red circular inserts were manufactured by the O'Sullivan Rubber Co. and supplied to Respondent, and in view of the fact that the O'Sullivan Co. had not previously manufactured heels with a circular-shaped insert contrasting in color to the body of the heel, the conclusion naturally follows that the O'Sullivan Co. was directed as to the nature of the heel to furnish Respondent. With reference to its original choice of red inserts, the Respondent explained that its purpose in using inserts of red color is that its store fronts are red (R. 86).

Subsequently, the Respondent began selling other heels, identical in every respect to these last described red circular insert heels except that their circular insert was green instead of red (Exhibit 37—Photostatic Insert). These red and green insert heels were sold side by side and mixed together on Respondent's heel display counters, and indiscriminately mixed with the previously described heels with circular marks in red, orange, and beige or tan (R. 29, 61, 72, 82, 100). Another variety of "Crusader" heel with a yellow diamond insert (Exhibit 33—Photostatic Insert) was also mixed with all these other types of heels, and this sales policy continued, notwithstanding Petitioner's repeated complaints, until August 5, 1935, when the District Court (Judge Tuttle), by preliminary injunction, enjoined further sale, by the Respondent, of heels with red circular inserts, and ordered the Respondent to discontinue buying heels with orange circular inserts (R. 115).

District Court's Findings of Fact.

The proceedings in the District Court subsequent to its original findings of fact, were extensive, due to numerous amendments and additions to the findings of fact originally entered by the Court. However, the essential and controlling facts originally found and retained throughout the amendments and additions are as follows:

> "Continuously since on or about 1898 the plaintiff has used a trade-mark for its goods consisting of a circular figure or ball colored red and applied directly to the tread face of the plaintiff's rubber heels at approximately the center thereof. This trade-mark was registered in 1901 and its registration has been renewed and all rights to said trade-mark are still owned by the plaintiff." (R. 121, par. 3.)
>
> "* * * the trade-mark (of defendant) is so applied that the most prominent part is a circular plug of red or reddish color so closely resembling that of the plaintiff that it is difficult to distinguish the products sold by the defendant from the plaintiff's products." (R. 121, par. 8.)
>
> "The ordinary purchaser, having become familiar with the plaintiff's trade-mark, would naturally be led to believe that the heels marketed by the defendant were the product of the plaintiff company." (R. 122, par. 9.)
>
> "The heels sold by the defendant were of inferior quality as compared to the heels manufactured and sold by the plaintiff and attached to their product and this tended to destroy the good will created by the plaintiff in the manufacture of its superior product. Likewise, when one of the defendant's heels was attached to footwear not manufactured by the plaintiff it would tend to cause purchasers to believe that the entire article of footwear was manufactured by the plaintiff." (R. 122, par. 11.)
>
> "The markings on the products marketed by the defendant are an infringement of plaintiff's trade-

mark and the methods used in the sale of defendant's products constituted unfair competition." (R. 122, par. 12.)

It was also originally found by the District Court that:

> "Upon discovery by the plaintiff of the defendant's sale of the above-described type heels and heel lifts, the plaintiff notified the defendant of its trade-mark of the red circular ball figure and thereafter defendant stopped giving orders to its supply company for heels and heel lifts bearing a red circular figure but did order for its counters heels bearing circular figures in orange, green, tan, yellow, and also figures with a square or diamond shaped plug in yellow, tan, and other colors. Defendant mixed these heels indiscriminately on its counters with the heels it had remaining in stock with the red circular figure." (R. 122, par. 10.)

While this latter paragraph was thereafter subjected to discussion in open court and other findings were added later relating to the same subject matter, the original, above quoted finding appears to remain unaltered. Moreover, the Court of Appeals refers to Respondent's indiscriminate mixing and sale of heels with other color marks from the same bins and counters in which the heels bearing Respondent's red circular marks were displayed (R. 154).

The District Court found as a conclusion of law that:

> "The defendant is guilty of infringing plaintiff's trade-mark and is guilty of unfair competition and such trade-mark infringement and unfair competition continued after direct notice to the defendant." (R. 123.)

After making its original findings of fact and conclusions of law, the District Court held further hearings and, pursuant thereto, made certain supplemental findings, amplifying the original findings. Some of these findings related to the nature of the proof. For example, the District Court found that there was no *direct testimony* that Re-

spondent attempted to palm off its heels as the heels manufactured by Petitioner; that there is no *proof* that any purchaser of heels from Respondent was motivated by a belief on the part of the purchaser that he was getting Petitioner's product; and that there is no *direct proof* that Petitioner had lost sales as a result of purchases made from Respondent. Notwithstanding these findings with respect to the absence of such direct testimony and proof, the District Court nevertheless was convinced and found that Respondent was guilty of trade-mark infringement and guilty of unfair competition.

These supplemental findings do not detract from the force of the original findings as to the tendencies and effects of Respondent's acts of infringement.

> "It is next asserted that there is no evidence of actual confusion. This is of no moment. It is sufficient if the proof shows that purchasers are likely to be deceived or confused. *Kann et al.* v. *Diamond Steel Co., et al.*, 8 Cir., 89 F. 706, 707, 710; *Gannett* v. *Rupert*, 2 Cir., 127 F. 962; *Consolidated Ice Co.* v. *Hygeia Distilled Water Co.*, 3 Cir., 151 F. 10, 12." *United Drug Co.* v. *Obear-Nester Co.*, 111 F. 2d 997, 1000 (8 C. C. A.).

After all of the supplemental findings had been made, the District Court decreed that the Respondent be enjoined from selling rubber heels with red or reddish circular figures appearing on the face portions, or any imitations thereof so nearly resembling the heels of Petitioner as to be calculated to deceive the ordinary purchaser as to the source of such goods (R. 131).

In its opinion (R. 123), the District Court prescribed a decree "providing for an accounting for profits unlawfully derived from the violation of the plaintiff's right", but in its decree (R. 131) restricted the accounting so that Petitioner was required to prove the sales were made "to purchasers who were induced to buy because they believed

the heels to be those of plaintiff (Petitioner) and which sales plaintiff (Petitioner) would otherwise have made." No accounting for damages was allowed.

The Court of Appeals, without disturbing the findings of the District Court, affirmed the judgment of that court.

FIRST QUESTION.

"WHERE ACCOUNTING OF PROFITS IS ORDERED FOR INFRINGEMENT OF A TRADE-MARK REGISTERED UNDER THE ACT OF 1905, ARE PROFITS RESTRICTABLE TO SALES TO PURCHASERS WHO WERE INDUCED TO BUY BECAUSE THEY BELIEVED THE GOODS TO BE THOSE OF THE TRADE-MARK OWNER AND WHICH SALES THE TRADE-MARK OWNER OTHERWISE WOULD HAVE MADE?"

1. Petitioner's United States trade-mark registration is valid (Finding 3, R. 121; Par. 3, R. 123).

The District Court found that the Petitioner's trade-mark registration of the red circular figure trade-mark is valid. This finding was not disturbed by the Court of Appeals, and no question is raised on the review in this Court as to the validity of the Petitioner's trade-mark.

2. Petitioner's registered trade-mark was infringed by Respondent (Par. 5, R. 123).

The District Court found that the Respondent infringed the Petitioner's registered trade-mark (R. 123) and enjoined the sale of heels bearing red or reddish circular figures or any deceptive imitations thereof (R. 131).

The District Court ordered the Respondent to account to the Petitioner for profits which Respondent derived from its sale of the infringing heels (R. 123), and subsequently decreed that in assessing profits, the Petitioner would be required to prove that purchasers were induced to buy Respondent's heels because they believed them to be those of Petitioner, and that Petitioner otherwise would

have made the sales (R. 131). The District Court's judgment was affirmed by the Court of Appeals.

3. In assessing profits the Petitioner should be required to prove the Respondent's sales only (15 U. S. C. 99).

The limited nature of the accounting allowed to Petitioner by the District Court is inconsistent with Sec. 19 of the Trade-Mark Act of 1905 (15 U. S. C. 99), which provides as follows:

> "That the several courts vested with jurisdiction of cases arising under the present act shall have power to grant injunctions, according to the course and principles of equity, to prevent the violation of any right of the owner of a trade-mark registered under this act, on such terms as the court may deem reasonable; and *upon a decree being rendered in any such case for wrongful use of a trade-mark the complainant shall be entitled to recover, in addition to the profits to be accounted for by the defendant, the damages the complainant has sustained thereby, and the court shall assess the same or cause the same to be assessed under its direction.* The court shall have the same power to increase such damages, in its discretion, as is given by section sixteen of this act for increasing damages found by verdict in actions of law; and *in assessing profits the plaintiff shall be required to prove defendant's sales only;* defendant must prove all elements of cost which are claimed." (Italics ours.)

The accounting order directly conflicts with the express provision of the foregoing act of Congress that:

> "• • • *in assessing profits the plaintiff shall be required to prove the defendant's sales only.*"

The Court of Appeals apparently sought to justify the accounting order, requiring Petitioner to prove more than "defendant's sales only," on the ground that:

> "Whatever substantive rights appellant may have in the premises arise under local law and are within the scope of *Erie Railroad Company* v. *Tompkins*, 304 U. S. 64" (R. 156).

The Court of Appeals evidently regarded the provisions of the Trade-Mark Act relating to the assessing of profits as substantive law. On this theory, the appellate court appears to have assumed that the Act of Congress could be disregarded because it was superseded by the local law of the state of Michigan. The Court of Appeals then proceeded to cite Michigan decisions as authority and ignored the Trade-Mark Act of 1905.

It has been held by this Court that the Federal trade-mark statute is procedural. In *American Trading Co.* v. *H. E. Heacock Co.*, 285 U. S. 247, 258, this Court stated regarding the Trade-Mark Act of 1905:

> "• • • the Federal statute did not attempt to create exclusive substantive rights in marks, or to afford a refuge for piracy through registration under the Act, but *to provide appropriate procedure and to give the described protection and remedies where property rights existed.*" (Italics ours.)

Federal registration of a trade-mark does not create substantive rights. Substantive rights in the trade-mark must exist as a prerequisite to registration. However, when substantive rights are already in existence and the trade-mark is validly registered under the Trade-Mark Act of 1905, as in the instant case, the remedies and the procedure set out in that statute are applicable.

The Trade-Mark Act of 1905, while it remains on the statute books as existing Federal law and has not been declared unconstitutional, should be respected and observed in the cases where it applies, and should be regarded as paramount to local law. In holding otherwise, the Court of Appeals not only committed serious error, but it even misconstrued the very case it relied upon in support of its position. This Court, in *Erie Railroad Co.* v. *Tompkins*, *supra*, expressly stated (p. 78) that

> "*Except in matters governed by the Federal Constitution or by acts of Congress*, the law to be applied in any case is the law of the state." (Italics ours.)

The Petitioner's trade-mark was registered under an Act of Congress, the Trade-Mark Act of 1905, and this statute must govern, rather than the local law of the State of Michigan. In limiting the accounting for profits to those profits which Respondent had derived from its sales of the infringing heels to purchasers whom the Petitioner could prove "were induced to buy because they believed the heels to be those of plaintiff, and which sales plaintiff would otherwise have made," the appellate court was not only at variance with the explicit provisions of the statute but also inconsistent with numerous decisions of this Court and lower Federal courts. This Court said in *Duplate Corp. v. Triplex Safety Glass Co.*, 298 U. S. 448, 457:

> "The wrongdoer must yield the gains begotten of his wrong."

The ruling of the Court of Appeals in the instant case is in conflict with the foregoing principle. Whereas a wrongdoer is required to yield up his gains from his sales of the infringing goods under the rule established by numerous authorities, the wrongdoer in the instant case is allowed to retain the profits and gains from his wrongdoing, except insofar as the injured party can prove he would have made any of the wrongdoer's specific sales. This Court has rejected any such basis for assessing profits in trade-mark cases, as well as in patent cases.

In the leading trade-mark case of *Hamilton-Brown Shoe Co.* v. *Wolf Bros. Co.*, 240 U. S. 251, 259, this Court discussed the trade-mark owner's rights to the infringer's profits as follows:

> "The right to use a trade-mark is recognized as a kind of property, of which the owner is entitled to the exclusive enjoyment to the extent that it has been actually used. *McLean* v. *Fleming*, 96 U. S. 245, 252; *Manhattan Medicine Co.* v. *Wood*, 108 U. S. 218, 224. The infringer is required in equity to account for and yield up his gains to the true owner, upon a principle analogous to that which charges a trustee with the

profits acquired by wrongful use of the property of the *cestui que trust.*"

* * * * *

"It is, however, insisted by defendant (Petitioner) that whether the recovery be based upon the theory of trade-mark, or upon that of unfair competition, the profits recoverable should be limited to such amount as may be shown by direct and positive evidence to be the increment of defendant's income by reason of the infringement, and that the burden of proof is upon complainant to show what part of defendant's profits were attributable to the use of the infringing mark." (p. 260.)

* * * * *

"Assuming the asserted analogy to patent cases to exist, *a sufficient reason for not requiring complainant in the present case to make an apportionment between the profits attributable to defendant's use of the offending mark and those attributable to the intrinsic merit of defendant's shoes is that such an apportionment is inherently impossible.*" (p. 261.)

* * * * *

"* * * As was said by the Supreme Court of California in a similar case, *Graham* v. *Plate*, 40 Cal. 593, 598; 6 Am. Rep. 639, 640: 'In sales made under a simulated trade-mark it is impossible to decide how much of the profit resulted from the intrinsic value of the commodity in the market, and how much from the credit given to it by the trade-mark. In the very nature of the case it would be impossible to ascertain to what extent he could have effected sales and at what prices except for the use of the trade-mark. *No one will deny that on every principle of reason and justice the owner of the trade-mark is entitled to so much of the profit as resulted from the use of the trade-mark. The difficulty lies in ascertaining what proportion of the profit is due to the trade-mark, and what to the intrinsic value of the commodity; and as this cannot be ascertained with any reasonable certainty, it is more consonant with reason and justice that the owner of the trade-mark should have the whole profit than*

that he should be deprived of any part of it by the fraudulent act of the defendant. It is the same principle which is applicable to a confusion of goods.'" (Italics ours.)

In the case of *Hamilton-Brown Shoe Co.* v. *Wolf Bros. & Co.*; *supra*, this Court approved the order for an accounting which was appealed to it; and this order required the infringer to account for profits derived from the sale of the goods bearing the infringing mark, *including those bearing the name of the defendant.*

As this Court stated in *Menendez* v. *Holt*, 128 U. S. 514, 521:

"* * * it is no answer to their action to say that there was no invasion of that right because the name of S. O. Ryder accompanied the brand upon flour sold by appellants, instead of the name of Holt & Co. That is an aggravation and not a justification, for it is openly trading in the name of another upon the reputation acquired by the device of the true proprietor."

The Court of Appeals for the Seventh Circuit in *Aladdin Mfg. Co.* v. *Mantle Lamp Co. of America*, 116 Fed. 2d 708, followed the decision of this Court in the *Hamilton-Brown* case. In the *Aladdin* case, as in the instant case, an effort was made by the infringer to have the accounting for profits from the trade-mark infringement limited "on the ground that no evidence of lost sales or of actual damages had been introduced." The Court rejected any such limitation on the accounting for profits, and said:

"Under 15 U. S. C. A., Section 99 and Section 96, in an accounting for profits from infringement of a trade-mark, appellant was required to prove appellee's sales only and the latter was under obligation to prove all elements of costs which it claimed." (p. 712)

* * * * *

"Gains and profits are still the proper measure of damages in equity suits, except in cases where the injury sustained by the infringement is plainly more

than the aggregate of what was made by the respondent, in which event the provision is that the complainant shall be entitled to recover, in addition to the profits to be accounted for by the respondent, the damages he has sustained thereby (citing cases)." (p. 715)

"In law the infringer 'is regarded as a mere wrong doer compelled to make compensation for the injury he has inflicted. In equity, he has a double character, being first treated as a species of agent or trustee practicing the invention for the benefit of its true owner and obliged to pay to him the profits of the enterprise, and then, if, in the judgment of the court, the interests of the plaintiff so require, mulcted as a tort-feasor in a sum sufficient to redress the injury which the plaintiff has sustained.' 3 Robinson on Patents, § 1050." (p. 715.)

The Court of Appeals for the Fifth Circuit applied the doctrine of the *Hamilton-Brown* case in the case of *Trappey* v. *McIlhenny Co.*, 12 F. 2d 19, 21:

"There being no possible way of allocating the effect of the infringed trade-mark upon the disposition of profits, there was no burden on the appellee to make such allocation."

Citing the same authority, the Court of Appeals for the Third Circuit, in *M. B. Fahey Tobacco Co.* v. *Senior*, 252 Fed. 579, 581, stated that:

"Therefore, since the defendants have infringed the plaintiff's trade-mark, profits as well as damages, are recoverable, and the decree should be modified accordingly."

The Court of Appeals for the Third Circuit in *Duro* v. *Duro*, 56 F. 2d 313, considered the section of the Trade-Mark Act of 1905 here under consideration, and stated:

"Under the act of Congress, therefore, it is clear that in assessing profits, the plaintiff is only required to prove defendant's sales; defendant must prove all elements of cost which are claimed." (p. 314.)

In the *Duro* case, the plaintiff used its mark on *internal combustion engines* and the defendant used the infringing mark on *spark plugs*. The infringer was required to account for profits in the manner prescribed by the Trade-Mark Act. Moreover, the Court pointed out that even though the goods were different, the plaintiff was justly entitled to infringer's profits because, by reason of its infringement, the infringer appropriated to its spark plugs the reputation of the internal combustion engine manufacturer.

In the instant case, the right to profits on the infringing sales is even more apparent than in the *Duro* case. Here the goods are identical, *i. e.*, rubber heels. Only the channels through which they reach the public are different. The Respondent sells its rubber heels separately. The Petitioner sells its rubber heels as a part of and attached to completed boots and shoes. Paraphrasing the *Duro* case, it may be said that the Respondent appropriated to its rubber heels the reputation of the footwear and heel manufacturer (the Petitioner).

The Court of Appeals for the Sixth Circuit (Judges Donahue, Moorman and Westenhaver) relied upon the decision of this Court in the *Hamilton-Brown Shoe Co.* case, as authority in *Dickinson* v. *O. & W. Thum Co.*, 8 F. 2d 570, 573:

> "Defendant's main complaint is that the master charged him with the entire profits accruing from the sale of any infringing goods during this period. It is insisted that the burden was on Plaintiff to prove that Defendant had made profits attributable in whole or in part to the infringing use of its trade-mark, and that the evidence does not support a finding that there was any so attributable."
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> • • • • • •
>
> "Under the facts found and proved, the rule of *Hamilton-Brown Shoe Co.* v. *Wolf Brothers & Co.*, 240 U. S. 251, 36 S. Ct. 269, 60 L. Ed. 629, is applicable.

> *The infringer must account for the entire profits derived from the sale of the infringing goods. The recovery will not be limited to such amount as can be shown by direct and positive evidence to have resulted from the use of the infringing mark. The burden is not cast upon the Plaintiff to attempt the impossible task of showing what part of Defendant's profits are attributable to the use of the infringing mark and what part to the intrinsic merit of his goods or other causes.* Whatever conflict in the previous decisions might be found was put at rest by that decision." (Italics ours.)

Petitioner contends that the judgment in the instant case improperly deprives it of an opportunity to recover, in an accounting, the profits made by Respondent in its sales of heels bearing the infringing marks. This contention is fully supported by decisions of this Court, as well as those in other circuits, including an earlier decision by the Sixth Circuit Court of Appeals when its personnel was different from the present. It is not believed that the decision in *Erie Railroad Co.* v. *Tompkins, supra,* warrants the present personnel of the Sixth Circuit Court of Appeals in disregarding the controlling Federal Statute, the decisions of its predecessors, the decisions of this Court, and the decisions of other Federal courts involving the same question.

So far as Petitioner can ascertain, the decision of the Court of Appeals in the instant case not only conflicts with the controlling authority, but it also invokes the absolutely unique doctrine that the wrongdoer may keep the gains arising out of his wrongful infringement, except as to specific sales to customers whom the trade-mark owner can prove (1) were actually misled and (2) would otherwise have bought the trade-mark owner's product.

The Petitioner respectfully urges that this result is inequitable, illogical, and contrary to the controlling Act of Congress and authorities, and that for these reasons the decision of the Court of Appeals should be reversed.

SECOND QUESTION.

"WHERE A DECREE IS RENDERED FOR WRONGFUL USE OF A TRADE-MARK REGISTERED UNDER THE ACT OF 1905 AND THE DISTRICT COURT WHOSE JUDGMENT IS AFFIRMED FOUND THAT DEFENDANT'S INFRINGEMENT TENDED TO DESTROY PLAINTIFF'S GOOD WILL TO AN EXTENT BEYOND THE PARTICULAR ARTICLES AS TO WHICH PROFITS ARE AWARDED, SHOULD DAMAGES BE DENIED?"

1. Respondent's acts tended to destroy the good will of Petitioner (Finding 11, R. 122).

Petitioner under the explicit findings of the District Court, has been damaged by the acts of Respondent not only through the confusion brought about by Respondent's use of the infringing trade-marks, leading customers to believe that heels marketed by Respondent were the products of Petitioner, but also by tendency of the acts of Respondent to destroy the good will of Petitioner (R. 122).

As appears from the undisturbed finding of the District Court (Par. 11, R. 122), the Respondent's heels were of "inferior quality," whereas the Petitioner manufactures a "superior product." The Respondent, by its acts of infringement, has identified the Petitioner's trade-mark with heels of inferior quality, thus detracting from the Petitioner's reputation for high quality. The Respondent continued to sell its inferior heels bearing the infringing marks for more than two years after notice of infringement. During that period of time, and as long thereafter as Respondent's infringing red marked heels remained in use, Petitioner's good will was subject to disrepute through unfavorable influence of Respondent's inferior, infringing heels, which the ordinary customer would naturally believe were the product of the Petitioner company (R. 122).

The Petitioner's reputation was impaired further by the attachment of the Respondent's infringing heels to footwear not manufactured by the Petitioner.

The Petitioner does not sell its red circular figure trade-marked rubber heels separately, but attaches them to the boots and shoes which it manufactures (R. 121). In this way, the red circular trade-mark on the heel serves to identify not only the heel on which it appears, but also the entire article of footwear, as having been manufactured by the Petitioner.

The Petitioner has been urged to sell its rubber heels separately but has consistently refrained from doing so because it believed that its reputation would be jeopardized by the association of the red circular figure trade-mark with footwear it did not manufacture (R. 37). Despite its belief that it could have made large profits from selling its rubber heels separately, because of the widespread and favorable reputation of the red circular figure trade-mark, the Petitioner preferred to preserve the red circular figure on the rubber heel of a boot or shoe as a reliable medium which would identify the entire boot or shoe as well as the heels attached thereto as its products (R. 37).

The confusion which the Petitioner steadfastly sought to prevent has now been made possible by the Respondent's infringement. The heels bearing the infringing red circular marks were sold by the Respondent as repair or replacement heels. As long as they remained on the repaired shoes, they continued to impart to the entire shoe the same significance of origin as the attached infringing heel. It may be assumed the shoes which needed heel replacements and were repaired with Respondent's heels were shoes which had had considerable wear and may have been in rather bad or dilapidated condition. When these shoes were repaired with the Respondent's infringing marked heels, the infringing red circular figures signified, to persons familiar with Petitioner's red circular figure

trade-mark, that the shoes bearing them were manufactured by the Petitioner. (See District Court Finding 11, R. 122.)

Thus the Petitioner's reputation and good will were impaired, not only by the use of the infringing marks on rubber heels of inferior quality, but also by the attachment of the infringing marked heels to shoes of uncertain and probably poor quality.

It is submitted that the damage which the Petitioner has suffered as a result of the long and persistent acts of infringement by the Respondent is undoubtedly far in excess of the profits derived by the Respondent from the sales of its infringing rubber heels.

2. Petitioner has been damaged by Respondent's commingling with its infringing red circular marked heels, heels having other colored circular marks.

The Appellate Court affirmed the judgment of the District Court that "the methods used in the sale of defendant's products constitute unfair competition." Respondent's unfair competition is predicated upon its trade-mark infringement and is, in fact, a part and parcel thereof. It used the infringing marks in a manner to extend the significance of origin of the infringing red marks to its marks of other colors so that heels bearing the latter marks were identified as coming from the same source as the infringing red marked heels. Consequently, the damage caused by the Respondent's unfair competition is primarily caused by the Respondent's infringement.

The testimony is that the Respondent's heels having circular figures of various colors contrasting to the surrounding surface of the heels were indiscriminately displayed together with its heels bearing the infringing red circular trade-marks (Par. 11, R. 122).

By associating the heels with marks in colors other than red, the Respondent imparted to the non-infringing heels

the same significance of origin as the infringing heels. Thus, the effect of the infringement arising out of the Respondent's use of the red circular marks was extended to the other heels which were mixed and identified with the infringing heels and which bore similar marks in other colors or shades.

Therefore, by conferring upon the non-infringing heels the reputation of coming from the same manufacturer as the infringing heels, the Respondent promoted the sale of the non-infringing heels and perpetuated the benefits of infringement. When the sales of the infringing heels was enjoined, the Respondent was enabled to continue selling the other heels which had acquired the same significance of origin as the infringing heels.

In this manner, the Respondent continued to sell heels which were identified with the Petitioner and which detracted from its good will and reputation.

3. Petitioner is entitled to recover damages in addition to profits. (15 U. S. C. 96, 99; *Hamilton-Brown Shoe Co.* v. *Wolf Bros. Co.*, 240 U. S. 251).

The Court of Appeals did not require Respondent to account to Petitioner for damages, although it affirmed the judgment of the District Court which found as facts that

(a) Respondent's trade-mark so closely resembles that of Petitioner "that it is difficult to distinguish the products sold by defendant from the plaintiff's products" (Par. 18; R. 121).

(b) The ordinary purchaser familiar with Petitioner's trade-mark "would naturally believe that the heels marked by the defendant were the products of the plaintiff company" (Par. 9; R. 122).

(c) The inferior quality of the heels sold by Respondent as compared to those of Petitioner "tended to destroy the good will created by plaintiff in the manufacture of its superior product" (Par. 11, R. 122).

(d) When Respondent's heels were attached to

footwear "it would tend to cause purchasers to believe that the entire article of footwear was manufactured by the plaintiff" (Par. 11, R. 122).

(e) "The methods used in the sale of defendant's products constituted unfair competition" (Par. 12, R. 122).

In view of the said facts which were found by the District Court and were not disturbed by the Court of Appeals, the Petitioner should be awarded the relief prescribed in the Trade-Mark Act of 1905, under which its trade-mark is registered, and under which this action was brought.

Section 16 of the Trade-Mark Act of 1905 (15 U. S. C. Sec. 96) provides that:

"* * * Any person who shall, without the consent of the owner thereof, reproduce, counterfeit, copy, or *colorably imitate* any such trade-mark and affix the same to merchandise of substantially the same descriptive properties as those set forth in the registration, or to labels, signs, prints, packages, wrappers, or receptacles intended to be used upon or in connection with the sale of merchandise of substantially the same descriptive properties as those set forth in such registration, and shall use, or shall have used, such reproduction, counterfeit, copy, or *colorable imitation* in commerce among the several States, or with a foreign nation, or with the Indian tribes, *shall be liable to an action for damages therefor* at the suit of the owner thereof; and whenever in any such action a verdict is rendered for the plaintiff, the court may enter judgment therein for any sum above the amount found by the verdict as the actual damages, according to the circumstances of the case, not exceeding three times the amount of such verdict, together with the costs." (Italics ours.)

Sec. 19 of the Trade-Mark Act (15 U. S. C. Sec. 99) expressly provides that:

"* * * upon a decree being rendered in any such case for wrongful use of a trade-mark *the complainant*

shall be entitled to recover, in addition to the profits to be accounted for by the defendant, the damages the complainant has sustained thereby. * * *"* (Italics ours.)

The right to both profits and damages which is codified in the quoted section of the Trade-Mark Act has also been recognized by this Court in the *Hamilton-Brown Shoe Co.* case:

> "In this country, it is generally held that *in a proper case both damages and profits may be awarded.*" (240 U. S. 259.)

4. Uncertainty as to amount does not preclude Petitioner's right to recover damages.

It is not necessary, in order that Petitioner be entitled to an accounting as to damages, that the actual amount of such damages should be susceptible of exact proof. It has been frequently held that where damage has been sustained but is not capable of exact proof, exemplary or punitive damages will be allowed. The law upon this question was clearly stated by this Court in *Story Parchment Co.* v. *Paterson Parchment Paper Co.*, 282 U. S. 555, 562, as follows:

> "* * * It is true that there was uncertainty as to the extent of the damage, but there was none as to the fact of damage; and there is a clear distinction between the measure of proof necessary to establish the fact that petitioner had sustained some damage, and the measure of proof necessary to enable the jury to fix the amount. The rule which precludes the recovery of uncertain damages applies to such as are not the certain result of the wrong, not to those damages which are definitely attributable to the wrong and only uncertain in respect of their amount."
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> * * * * * *
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> *"Where the tort itself is of such a nature as to preclude the ascertainment of the amount of damages with certainty, it would be a perversion of fundamental principles of justice to deny all relief to the*

injured person, and thereby relieve the wrongdoer from making any amend for his acts. In such case, while the damages may not be determined by mere speculation or guess, it will be enough if the evidence show the extent of the damages as a matter of just and reasonable inference, although the result be only approximate. *The wrongdoer is not entitled to complain that they cannot be measured with the exactness and precision that would be possible if the case, which he alone is responsible for making, were otherwise. Eastman Kodak Co.* v. *Southern Photo Materials Co.*, 273 U. S. 359, 379. Compare *The Seven Brothers*, 170 Fed. 126, 128; *Pacific Whaling Co.* v. *Packers' Asso.*, 138 Cal. 632, 638. As the Supreme Court of Michigan has forcefully declared, *the risk of the uncertainty should be thrown upon the wrongdoer instead of upon the injured party.*" (p. 563.) (Italics ours.)

This Court in its said decision cited with approval the decision of the Second Circuit Court of Appeals in *Straus* v. *Victor Talking Machine Co.*, 297 Fed. 791, and said regarding it:

"* * * Numerous decisions are there cited in support of the statement, that 'The constant tendency of the courts is to find some way in which damages can be awarded where a wrong has been done. Difficulty of ascertainment is no longer confused with right of recovery.'" (p. 565.)

The law has been specifically held applicable in trademark and unfair competition cases (*Aladdin Mfg. Co.* v. *Mantle Lamp Co.*, 116 F. 2d 708, C. C. A. 7; *Maytag* v. *Meadows*, 45 F. 2d 299, C. C. A. 7).

The Court of Appeals for the Seventh Circuit said, in *Aladdin* v. *Mantle Lamp, supra:*

"A tort feasor is liable for all consequences naturally resulting, all injuries actually flowing from his wrongful act, *whether in fact anticipated or contemplated by him* when his tortious act was committed. Recoverable damages, therefore, include compensation for all injury to appellant's business arising from

wrongful acts committed by appellee, provided such injury was the natural and proximate result of the wrongful acts. *Fidelity & D. Co.* v. *Bucki & Son Lumber,* 189 U. S. 135, 23 S. Ct. 582, 47 L. Ed. 744. *This includes injury to business standing or good will,* loss of business, additional expenses incurred because of the tort and all other elements of injury to the business. 15 Amer. Jur. §§ 133, 134, 135, 136, and 138. These are the governing principles applying to compensatory damages. (p. 716.)

* * * * *

"There was proof of injury to appellant's business in appellee's conduct, including injury to its good will and nullification of its advertising program, for which it expended large sums of money, over and above the profits gained by appellee. For such injury it was entitled to compensatory damages and in addition such limited exemplary damages as the facts and circumstances justify. (p. 717.)

* * * * *

"The Act of Congress looks to the recovery of 'damages'; it does not exclude exemplary damages; rather it must be taken to include all damages ordinarily recoverable under the facts and circumstances presented. That punitive damages may be allowed in such an action as this at law was recognized by the court in *Press Publishing Co.* v. *Monroe,* 2 Cir., 73 F. 196, 201, 51 L. R. S. 353, in this language. * * *" (p. 716.) (Italics ours.)

The existence of damage resulting from Respondent's acts is certain—only the extent of the damage is uncertain. Under the Act of Congress the Petitioner is entitled to an accounting for said damages. Under the principle of the decisions of this Court and the same principle as applied in other courts, the risk of uncertainty should fall on the wrongdoer instead of upon the injured party, and the Petitioner should be awarded damages despite any uncertainty as to the amount.

The District Court recognized that the Respondent was a wrongdoer, *after notice,* and found that its acts tended

to destroy the Petitioner's good-will. No redress was allowed for the injury suffered by the Petitioner.

The refusal to allow redress amounted to condoning of a wilful wrongdoer, penalized the victim of the tort, ignored the controlling Federal Statute, and disregarded the applicable decisions of this Court. It is respectfully urged that reason, justice, and authority require the awarding of damages to the Petitioner.

Conclusion.

Under the judgment of the District Court, as affirmed by the Court of Appeals, the trade-mark infringer is merely enjoined from further infringement but is not required to account for profits or pay compensation for the damages sustained. This holding is an inducement to infringement. Under it, the infringer benefits from the good will attaching to the well known mark until an injunction is issued. He is merely required to discontinue using the infringing mark without compensating the trade-mark owner.

It is submitted on behalf of Petitioner that each of the questions presented should be answered in the negative, and that the judgment of the Court of Appeals should be reversed, with directions for the entry of a decree ordering Respondent to account to Petitioner for the profits derived from its infringement and for the damages sustained by Petitioner from Respondent's infringement and the attending unfair competition.

Respectfully,

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APPENDIX I.

Trade-Mark Act of 1905.

Sec. 16, U. S. C., title 15, sec. 96. That the registration of a trade-mark under the provisions of this act shall be prima facie evidence of ownership. Any person who shall, without the consent of the owner thereof, reproduce, counterfeit, copy, or colorably imitate any such trade-mark and affix the same to merchandise of substantially the same descriptive properties as those set forth in the registration, or to labels, signs, prints, packages, wrappers, or receptacles intended to be used upon or in connection with the sale of merchandise of substantially the same descriptive properties as those set forth in such registration, and shall use, or shall have used, such reproduction, counterfeit, copy, or colorable imitation in commerce among the several States, or with a foreign nation, or with the Indian tribes, shall be liable to an action for damages therefor at the suit of the owner thereof; and whenever in any such action a verdict is rendered for the plaintiff, the court may enter judgment therein for any sum above the amount found by the verdict as the actual damages, according to the circumstances of the case, not exceeding three times the amount of such verdict, together with the costs.

Sec. 19, U. S. C., title 15, sec. 99. That the several courts vested with jurisdiction of cases arising under the present act shall have power to grant injunctions, according to the course and principles of equity, to prevent the violation of any right of the owner of a trade-mark registered under this act, on such terms as the court may deem reasonable; and upon a decree being rendered in any such case for wrongful use of a trade-mark the complainant shall be entitled to recover, in addition to the profits to be accounted for by the defendant, the damages the complainant has sustained thereby, and the court shall assess the same or cause the same to be assessed under its direction. The court shall have the same power to increase such damages, in its discretion, as is given by section sixteen of this act for increasing damages found by verdict in actions of law; and in assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost which are claimed.

APPENDIX II.

CHRONOLOGICAL SUMMARY.

1891 **October 15**—Petitioner adopted red circular figure trade-mark to identify its products (R. 32).

1898 —Petitioner began manufacturing rubber footwear, and applied red circular figure trade-mark on the tread faces of the heels thereof (R. 35).

1901 **May 28**—Red circular figure trade-mark registered by Petitioner in U. S. Patent Office, Registration No. 36,471 (R. 38, 133). (See photograph, Ex. 16).

1917 —Petitioner began embedding red circular figure trade-mark in tread faces of rubber heels to make it outlast other markings thereon. The red circular figure served as the permanent identification of Petitioner's heels and the footwear to which they were attached (R. 36).

1931 **May 28**—Petitioner renewed its red circular figure trade-mark registration (No. 36,471) under Trade-Mark Act of 1905 (R. 38).

1933 **January 30**—*Respondent began purchasing and selling "Crusader" rubber heels with red circular figure embedded in tread faces thereof, said red circular figure being embossed with a knight's head* (R. 86) (See photograph, Ex. 79).

May—Petitioner learned that Respondent was selling these heels (R. 45).

May 5—Petitioner notified Respondent it regarded "Crusader" heels with red circular figure as infringing its red circular figure trade-mark and demanded that Respondent "discontinue at once putting out heels with the red circular figure mark" (R. 46, 138).

May 19—*Respondent agreed to instruct its manufacturers "to use some other color unlike red"* (R. 46, 140).

June 6—*Respondent's manufacturer adopted orange color and Respondent began purchasing and selling "Crusader" heels with orange circular figure embossed with knight's head* (R. 49, 86) (See photograph, Ex. 59).

1934 **February 15**—Petitioner complained to Respondent about continuing sale of heels with red circular figure marks (R. 49, 141).

February 16—*Respondent expressed belief it had no infringing inserts on its counters and requested specimen along with explanation of how it infringed* (R. 49, 142).

February 24—Petitioner's investigators began checking up on Respondent's heel display counters and purchasing specimens (R. 49).

June 14—Petitioner reviewed controversy in letter to Respondent, and objected to continued sale of heels with red circular figure marks. Petitioner also complained about mixing with these heels other heels bearing identical marks in varying shades from red to yellow "so that they have the same significance as to origin as the heels bearing the red mark". Finally, Petitioner demanded that the Respondent "discontinue immediately the sale of rubber heels bearing circular marks in red, pink, orange, yellow * * * and * * * account to us for the damage we have sustained * * *" (R. 142).

June 25—*Respondent advised it was instructing all stores to discontinue ordering rubber heels from its manufacturer, Essex Rubber Co.* (R. 145).

July 1—*Respondent began purchasing and selling "Sure Foot" heels bearing red circular figure marks at center of tread face of heel and embossed with an Indian head* (R. 91).

July 7—*Respondent suggested to Petitioner that it consent to selling out manufacturer's remaining*

stock of objectionable heels and stated that it would take "from two to three months to clean this up" (R. 146).

July 12—Petitioner rejected this suggestion because Respondent had continued to sell infringing heels more than a year after notice and because of certain bad faith on part of Essex Rubber Co. Moreover, Petitioner demanded payment of damages (R. 147). *To this letter, Respondent did not reply* (R. 53).

August 11—Petitioner's attorney notified Respondent that it regarded "Sure Foot" heels with red circular mark on tread face as infringing, demanded that Respondent discontinue selling said heels, and advised Respondent that Petitioner had given the instruction to sue for infringement (R. 149).

November 28—Bill of Complaint filed by Petitioner in the U. S. District Court for the Eastern District of Michigan charging Respondent with trade-mark infringement and unfair competition, and praying for an accounting for profits and damages (R. 1).

1935 **March 8 to April 13**—Petitioner's investigators inspected the heel displays in all of Respondent's stores in the Eastern District of Michigan and in various of its stores in other states. Respondent's stores were found to be selling and indiscriminately displaying together some or all of the "Respondent's heels" illustrated in the photographs following page 10.

August 10—District Court (Tuttle, J.) granted temporary order restraining Respondent from selling any heels with red circular marks and from purchasing any more heels with orange circular marks (R. 115).

1939 **December 29**—District Court (Lederle, J.) entered final decree enjoining Respondent from selling heels with red or reddish circular marks and ordering the Respondent to account for certain profits (R. 131).

1941 **April 18**—Judgment of the District Court affirmed by the Court of Appeals for the Sixth Circuit (R. 152).

June 25—Petitioner's petition for rehearing denied (R. 163).

November 10—Certiorari granted, limited to first and second questions presented by petition (R. 164).